



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 06-7, Changes to Retained Pay Regulations

Date: May 10, 2006

To: Holders of the Payroll/Personnel Manual

On May 31, 2005, the Office of Personnel Management (OPM) published interim regulations in the Federal Register to implement changes in pay regulations for employees on pay retention. Effective with the processing of Pay Period 08, 2006, the National Finance Center (NFC) completed the necessary programming changes for agencies to document these changes. Section 301 of the Federal Workforce Flexibility Act of 2004 (Public Law 108-411, October 30, 2004) amended provisions of 5 U.S.C. Chapter 53 relating to the administration of special rates, locality rates, and retained rates. Further information on these pay changes (including a copy of the May 31, 2005, Federal Register interim regulations) may be found in CPM 2005-10 dated May 26, 2005, at the following OPM Web site:
<http://www.opm.gov/oca/compmemo/index.asp>.

Locality Pay

As of May 1, 2005, locality pay can no longer be paid to employees on pay retention. These employees may be identified by Pay Rate Determinant (PRD) Code 3, 4, J, K, M, R, U, or V. (General Schedule (GS) employees only. Federal Wage System employees are excluded from this.)

To document this change, agencies must process a Nature of Action Code (NOAC) 894/ZLM with Legal Authority P. L. 108-411, Section 301 dated October 30, 2004, with an effective date of May 1, 2005. The employee's adjusted salary (Adjusted Basic Pay field on Form SF50-B, Notification of Personnel Action) as of April 30, 2005 (which includes locality pay) now becomes the employee's Scheduled Salary (Basic Pay field on Form SF50-B) and Adjusted Salary effective on May 1, 2005. **Note:** The employee's Geographic Adjustment Rate (Locality Adjustment field on Form SF50-B) should revert to \$0000.00 effective May 1, 2005. The History Correction Update Processing System (HCUP) Packages section below provides additional guidance on processing this Nature of Action Code 894/ZLM.

Pay Rate Determinate Codes 4 and M

Effective April 30, 2005, OPM discontinued the use of PRD Codes 4 and M. (**NOTE:** Some agencies with employees not covered by Title 5 will continue to use PRD 4 for certain pay situations.)

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HCUP

Agencies must process HCUP packages on employees who were receiving retained pay on April 30, 2005, and had personnel actions effective on or after May 1, 2005, to insert the NOAC 894/ZLM action effective May 1, 2005, and to correct the Scheduled Salary and Adjusted Salary fields on all subsequent actions.

NOTE: Process the NOAC 894/ZLM action before any other pay action (including NOAC 893 and NOAC 903/Z00 actions) that takes effect on May 1, 2005. The authentication date on other pay actions effective May 1, 2005, must be later than the authentication date on the NOAC 894/ZLM action.

From May 1, 2005, (Pay Period 9, 2005) through April 15, 2006, (Pay Period 7, 2006), NFC applied locality pay to employee's retained pay. As a result, employees placed in retained rates on or after May 1, 2005, had their adjusted salary erroneously computed by NFC. Some agencies were aware of this programming restriction and made appropriate adjustments in the scheduled salary to ensure NFC did not overpay the employee. In addition, agencies that did not make the adjustment manually and did not use the Special Payments Processing System (SPPS) caused those employees to be overpaid.

Therefore, agencies need to review their pay setting determinations for ALL employees placed in retained rates on or after May 1, 2005, to determine the following: (1) if the employee's scheduled salary was set correctly and (2) whether the employee was paid correctly. In most cases, a HCUP case will be required. Agencies should process an NOAC 002 to that placement action. For pay setting guidance, agencies should refer to the following OPM issuances:

- OPM Fact Sheet on Pay Retention (http://www.opm.gov/oca/pay/HTML/pay_retention.asp)
- OPM Grade and Pay Retention Examples (http://www.opm.gov/oca/pay/HTML/Grade_PayRetention_EX.asp)

When establishing the new scheduled salary, please be aware that, regardless of the previous salary, a retained rate may not exceed the higher of:

- 150% of the maximum payable rate of basic pay of the highest applicable rate range (locality pay chart or special rate chart) for the grade of the employee's position of record;

OR

- The rate for level IV of the Executive Schedule (\$140,300 for 2005).

NOTE: The above pay caps do not apply to PRD R employees whose scheduled salary exceeded the EX-IV level prior to their separation from the Senior Executive Service (SES).

Agencies **must** process HCUP packages on these employees to correct the scheduled salary and adjusted salary on the actions placing the employees on retained pay and on any subsequent actions. If the employee was overpaid, the HCUP action will initiate the billing process for overpayment for 25 pay periods. However, the agency will have to process Form AD-343, Payroll Action Request, for any pay period beyond the 25 pay period window since these pay periods are not automatically adjusted.

When the maximum rate of the highest applicable rate range (locality pay table or special rate table) for an employee's position of record is increased for an employee with a retained rate, the employee is entitled to 50% of the amount of the increase in that maximum rate subject to the maximum rate limitations above.

The following provides an example of a GS-15/10 non-special rate employee on retained pay in the Washington, D.C. Locality Pay Area:

To calculate the 2006 scheduled salary for a GS-15/10 employee on retained pay:

1. From the 2006 scheduled salary (i.e., \$140,082), subtract the 2005 scheduled salary for an employee without retained pay (i.e., $\$140,082 - \$135,136 = \$4,946$).
2. Multiply the amount computed in Step 1 by .50 because the employee is entitled to 50% of the salary increase (i.e., $\$4,946 \times .50 = \$2,473$).
3. Add the amount computed in Step 2 to the 2005 scheduled salary for the employee on retained pay (i.e., $\$137,659 + \$2,473 = \$140,132$).

NOTE: If the newly calculated scheduled salary for 2006 computes to less than the GS-15/10 rate for that grade, an error message will be generated informing the agency that the employee is no longer eligible for retained pay. The agency must then remove the employee from the retained pay PRD and set the employee's salary at the step 10 of the applicable grade.

Agencies must process the January 2006, Pay Adjustment action using NOAC 894/ZLM effective January 8, 2006, for their employees on retained pay. **NOTE:** This action may be included in the HCUP package referenced above. The agencies must compute the scheduled salary for 2006 as described in the above example. Routine processing guidance on the January 2006 Pay Raise can be found in Title I, Bulletin 06-02, 2006, Federal Pay Increase and Locality-Based Comparability Payment, dated January 20, 2006.

Inquiries

As always, pay setting assistance should be obtained from your agency or department pay policy experts.

For questions about policy/regulations, contact your Agriculture Payroll/Personnel User Group (AGPUG) representative or Committee for Agriculture Payroll/Personnel System (CAPPS) representative. Please refer questions about retained pay to the Payroll/Personnel Call Center at **504- 255- 4630**.



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